

AMENDED IN SENATE JULY 8, 2013
AMENDED IN ASSEMBLY APRIL 23, 2013
CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 327

Introduced by Assembly Member Perea

February 13, 2013

An act to amend Section 739.1 of, and to repeal and add ~~Section Sections 739.9 and 745~~ of, the Public Utilities Code, relating to energy utility rates.

LEGISLATIVE COUNSEL'S DIGEST

AB 327, as amended, Perea. Electricity: natural gas: rates.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical and gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires the commission to designate a baseline quantity of electricity and gas necessary to supply a significant portion of the reasonable energy needs of the average residential customer and requires that electrical and gas corporations file rates and charges, to be approved by the commission, providing baseline rates. Existing law requires the commission, in establishing the baseline rates, to avoid excessive rate increases for residential customers. Existing law requires the commission to establish a program of assistance to specified low-income electric and gas customers, referred to as the California Alternate Rates for Energy (CARE) program.

Existing law revises certain prohibitions upon raising residential electrical rates adopted during the energy crisis of 2000–01, to authorize the commission to increase the rates charged residential customers for electricity usage up to 130% of the baseline quantities by the annual percentage change in the Consumer Price Index from the prior year plus 1%, but not less than 3% and not more than 5% per year. Existing law additionally authorizes the commission to increase the rates in effect for CARE program participants for electricity usage up to 130% of baseline quantities by the annual percentage increase in benefits under the CalWORKs program, as defined, not to exceed 3%, and subject to the limitation that the CARE rates not exceed 80% of the corresponding rates charged to residential customers not participating in the CARE program. Existing law states the intent of the Legislature that CARE program participants be afforded the lowest possible electric and gas rates and, to the extent possible, be exempt from additional surcharges attributable to the energy crisis of 2000–01.

This bill would repeal the limitations upon increasing the electric service rates of residential customers, including the rate increase limitations applicable to electric service provided to CARE customers, but would require the commission, in establishing rates for CARE program participants, to ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures and to adopt CARE rates in which the level of discount for low-income electricity and gas ratepayers correctly reflects their level of need, as determined by a specified needs assessment. ~~When the commission approves changes to electric service rates charged to residential customers, the bill would require the commission to determine that the changes are reasonable, including that the changes are necessary in order to ensure that the rates paid by residential customers are fair, equitable, and reflect the costs to serve those customers. The bill would require the commission to ensure that any changes made to electric service rates are made consistent with specified principles. The bill would require the commission to report to the Legislature its findings and recommendations relating to tiered residential electric service rates in a specified rulemaking by January 31, 2014. The bill would delete the statement of Legislative intent that CARE program participants be afforded the lowest possible electric and gas rates and, to the extent possible, be exempt from additional surcharges attributable to the energy crisis of 2000–01. The bill would require the commission, when establishing the CARE discounts for an electrical corporation with~~

100,000 or more customer accounts in California, to ensure that the average effective CARE discount be no less than 30% and no more than 35% of the revenues that would have been produced for the same billed usage by non-CARE customers and that the entire discount be provided in the form of a reduction in the overall bill for the eligible CARE customer. The bill would require that increases to rates and charges in rate design proceedings, including any reduction in the CARE discount, be reasonable and subject to a reasonable phase-in schedule relative to the rates and charges in effect prior to January 1, 2014. The bill would authorize the commission to approve new, or expand existing, fixed charges for an electrical corporation for the purpose of collecting a reasonable portion of the fixed costs of providing service to residential customers. The bill would require the commission to ensure that any new or expanded fixed charges reasonably reflect an appropriate portion of the different costs of serving small and large customers, do not unreasonably impair incentives for conservation and energy efficiency, and do not overburden low-income and moderate-income customers. The bill would impose a \$10 limit per residential customer account per month and would authorize the commission to adjust this maximum allowable charge by no more than the annual percentage change in authorized residential class revenue requirements.

Existing law prohibits the commission from requiring or permitting an electrical corporation to do any of the following: (1) employ mandatory or default time-variant pricing, as defined, with or without bill protection, as defined, for residential customers prior to January 1, 2013, (2) employ mandatory or default time-variant pricing, without bill protection, for residential customers prior to January 1, 2014, or (3) employ mandatory or default real-time pricing, without bill protection, for residential customers prior to January 1, 2020. Existing law authorizes the commission to authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. Existing law requires the commission to only approve an electrical corporation's use of default time-variant pricing for residential customers, beginning January 1, 2014, if those residential customers have the option to not receive service pursuant to time-variant pricing and incur no additional charges, as specified, as a result of the exercise of that option. Existing law exempts certain customers from being subject to default time-variant pricing.

This bill would delete these provisions and instead prohibit the commission from requiring or permitting an electrical corporation from employing mandatory or default time-variant pricing for any residential customer prior to January 1, 2020. The bill would permit the commission to authorize an electrical corporation to offer residential customers the option of receiving service pursuant to time-variant pricing and to participate in other demand response programs. The bill would provide that through December 31, 2019, any customer would have the option to not receive service pursuant to time-variant pricing and not incur any additional charge as a result of the exercise of that option. Beginning January 1, 2020, the bill would authorize the commission to require or permit an electrical corporation to employ mandatory or default time-of-use pricing for residential customers subject to specified conditions.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1.—Section 739.1 of the Public Utilities Code is~~
2 ~~amended to read:~~
3 ~~739.1. (a) The commission shall continue a program of~~
4 ~~assistance to low-income electric and gas customers with annual~~
5 ~~household incomes that are no greater than 200 percent of the~~
6 ~~federal poverty guideline levels, the cost of which shall not be~~
7 ~~borne solely by any single class of customer. The program shall~~
8 ~~be referred to as the California Alternate Rates for Energy or CARE~~
9 ~~program. The commission shall ensure that the level of discount~~
10 ~~for low-income electric and gas customers correctly reflects the~~
11 ~~level of need.~~
12 ~~(b) The commission shall establish rates for CARE program~~
13 ~~participants, subject to both of the following:~~
14 ~~(1) That the commission ensure that low-income ratepayers are~~
15 ~~not jeopardized or overburdened by monthly energy expenditures~~
16 ~~pursuant to subdivision (b) of Section 382.~~
17 ~~(2) That the level of the discount for low-income electricity and~~
18 ~~gas ratepayers correctly reflects the level of need as determined~~
19 ~~by the needs assessment conducted pursuant to subdivision (d) of~~
20 ~~Section 382.~~

1 ~~(e) The commission shall work with electrical and gas~~
2 ~~corporations to establish penetration goals. The commission shall~~
3 ~~authorize recovery of all administrative costs associated with the~~
4 ~~implementation of the CARE program that the commission~~
5 ~~determines to be reasonable, through a balancing account~~
6 ~~mechanism. Administrative costs shall include, but are not limited~~
7 ~~to, outreach, marketing, regulatory compliance, certification and~~
8 ~~verification, billing, measurement and evaluation, and capital~~
9 ~~improvements and upgrades to communications and processing~~
10 ~~equipment.~~

11 ~~(d) The commission shall examine methods to improve CARE~~
12 ~~enrollment and participation. This examination shall include, but~~
13 ~~need not be limited to, comparing information from CARE and~~
14 ~~the Universal Lifeline Telephone Service (ULTS) to determine~~
15 ~~the most effective means of utilizing that information to increase~~
16 ~~CARE enrollment, automatic enrollment of ULTS customers who~~
17 ~~are eligible for the CARE program, customer privacy issues, and~~
18 ~~alternative mechanisms for outreach to potential enrollees. The~~
19 ~~commission shall ensure that a customer consents prior to~~
20 ~~enrollment. The commission shall consult with interested parties,~~
21 ~~including ULTS providers, to develop the best methods of~~
22 ~~informing ULTS customers about other available low-income~~
23 ~~programs, as well as the best mechanism for telephone providers~~
24 ~~to recover reasonable costs incurred pursuant to this section.~~

25 ~~(e) (1) The commission shall improve the CARE application~~
26 ~~process by cooperating with other entities and representatives of~~
27 ~~California government, including the California Health and Human~~
28 ~~Services Agency and the Secretary of California Health and Human~~
29 ~~Services, to ensure that all gas and electric customers eligible for~~
30 ~~public assistance programs in California that reside within the~~
31 ~~service territory of an electrical corporation or gas corporation,~~
32 ~~are enrolled in the CARE program. To the extent practicable, the~~
33 ~~commission shall develop a CARE application process using the~~
34 ~~existing ULTS application process as a model. The commission~~
35 ~~shall work with public utility electrical and gas corporations and~~
36 ~~the Low-Income Oversight Board established in Section 382.1 to~~
37 ~~meet the low-income objectives in this section.~~

38 ~~(2) The commission shall ensure that an electrical corporation~~
39 ~~or gas corporation with a commission-approved program to provide~~
40 ~~discounts based upon economic need in addition to the CARE~~

1 ~~program, including a Family Electric Rate Assistance program,~~
2 ~~utilize a single application form, to enable an applicant to~~
3 ~~alternatively apply for any assistance program for which the~~
4 ~~applicant may be eligible. It is the intent of the Legislature to allow~~
5 ~~applicants under one program, that may not be eligible under that~~
6 ~~program, but that may be eligible under an alternative assistance~~
7 ~~program based upon economic need, to complete a single~~
8 ~~application for any commission-approved assistance program~~
9 ~~offered by the public utility.~~

10 (f) ~~It is the intent of the Legislature that the commission ensure~~
11 ~~CARE program participants receive affordable electric and gas~~
12 ~~service that does not impose an unfair economic burden on those~~
13 ~~participants.~~

14 (g) ~~The commission's program of assistance to low-income~~
15 ~~electric and gas customers shall, as soon as practicable, include~~
16 ~~nonprofit group living facilities specified by the commission, if~~
17 ~~the commission finds that the residents in these facilities~~
18 ~~substantially meet the commission's low-income eligibility~~
19 ~~requirements and there is a feasible process for certifying that the~~
20 ~~assistance shall be used for the direct benefit, such as improved~~
21 ~~quality of care or improved food service, of the low-income~~
22 ~~residents in the facilities. The commission shall authorize utilities~~
23 ~~to offer discounts to eligible facilities licensed or permitted by~~
24 ~~appropriate state or local agencies, and to facilities, including~~
25 ~~women's shelters, hospices, and homeless shelters, that may not~~
26 ~~have a license or permit but provide other proof satisfactory to the~~
27 ~~utility that they are eligible to participate in the program.~~

28 (h) (1) ~~In addition to existing assessments of eligibility, an~~
29 ~~electrical corporation may require proof of income eligibility for~~
30 ~~those CARE program participants whose electricity usage, in any~~
31 ~~monthly or other billing period, exceeds 400 percent of baseline~~
32 ~~usage. The authority of an electrical corporation to require proof~~
33 ~~of income eligibility is not limited by the means by which the~~
34 ~~CARE program participant enrolled in the program, including if~~
35 ~~the participant was automatically enrolled in the CARE program~~
36 ~~because of participation in a governmental assistance program. If~~
37 ~~a CARE program participant's electricity usage exceeds 400~~
38 ~~percent of baseline usage, the electrical corporation may require~~
39 ~~the CARE program participant to participate in the Energy Savings~~
40 ~~Assistance Program (ESAP), which includes a residential energy~~

1 assessment, in order to provide the CARE program participant
2 with information and assistance in reducing his or her energy usage.
3 Continued participation in the CARE program may be conditioned
4 upon the CARE program participant agreeing to participate in
5 ESAP within 45 days of notice being given by the electrical
6 corporation pursuant to this paragraph. The electrical corporation
7 may require the CARE program participant to notify the utility of
8 whether the residence is rented, and if so, a means by which to
9 contact the landlord, and the electrical corporation may share any
10 evaluation and recommendation relative to the residential structure
11 that is made as part of an energy assessment, with the landlord of
12 the CARE program participant. Requirements imposed pursuant
13 to this paragraph shall be consistent with procedures adopted by
14 the commission.

15 (2) If a CARE program participant's electricity usage exceeds
16 600 percent of baseline usage, the electrical corporation shall
17 require the CARE program participant to participate in ESAP,
18 which includes a residential energy assessment, in order to provide
19 the CARE program participant with information and assistance in
20 reducing his or her energy usage. Continued participation in the
21 CARE program shall be conditioned upon the CARE program
22 participant agreeing to participate in ESAP within 45 days of a
23 notice made by the electrical corporation pursuant to this paragraph.
24 The electrical corporation may require the CARE program
25 participant to notify the utility of whether the residence is rented,
26 and if so, a means by which to contact the landlord, and the
27 electrical corporation may share any evaluation and
28 recommendation relative to the residential structure that is made
29 as part of an energy assessment, with the landlord of the CARE
30 program participant. Following the completion of the energy
31 assessment, if the CARE program participant's electricity usage
32 continues to exceed 600 percent of baseline usage, the electrical
33 corporation may remove the CARE program participant from the
34 program if the removal is consistent with procedures adopted by
35 the commission. Nothing in this paragraph shall prevent a CARE
36 program participant with electricity usage exceeding 600 percent
37 of baseline usage from participating in an appeals process with the
38 electrical corporation to determine whether the participant's usage
39 levels are legitimate.

~~(3) A CARE program participant in a rental residence shall not be removed from the program in situations where the landlord is nonresponsive when contacted by the electrical corporation or does not provide for ESAP participation.~~

SECTION 1. Section 739.1 of the Public Utilities Code is amended to read:

~~739.1. (a) As used in this section, the following terms have the following meanings:~~

~~(1) "Baseline quantity" has the same meaning as defined in Section 739.~~

~~(2) "California Solar Initiative" means the program providing ratepayer funded incentives for eligible solar energy systems adopted by the commission in Decision 05-12-044 and Decision 06-01-024, as modified by Article 1 (commencing with Section 2851) of Chapter 9 of Part 2 and Chapter 8.8 (commencing with Section 25780) of Division 15 of the Public Resources Code.~~

~~(3) "CalWORKs program" means the program established pursuant to the California Work Opportunity and Responsibility to Kids Act (Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code).~~

~~(4) "Public goods charge" means the nonbypassable separate rate component imposed pursuant to Article 7 (commencing with Section 381) of Chapter 2.3 and the nonbypassable system benefits charge imposed pursuant to the Reliable Electric Service Investments Act (Article 15 (commencing with Section 399) of Chapter 2.3).~~

~~(b) (1)~~

~~739.1. (a) The commission shall establish~~ *continue* ~~a program of assistance to low-income electric and gas customers with annual household incomes that are no greater than 200 percent of the federal poverty guideline levels, the cost of which shall not be borne solely by any single class of customer. The program shall be referred to as the California Alternate Rates for Energy or CARE program. The commission shall ensure that the level of discount for low-income electric and gas customers correctly reflects the level of need.~~

~~(2) The commission may, subject to the limitation in paragraph (4), increase the rates in effect for CARE program participants for electricity usage up to 130 percent of baseline quantities by the annual percentage increase in benefits under the CalWORKs~~

1 ~~program as authorized by the Legislature for the fiscal year in~~
2 ~~which the rate increase would take effect, but not to exceed 3~~
3 ~~percent per year.~~

4 ~~(3) Beginning January 1, 2019, the commission may, subject~~
5 ~~to the limitation in paragraph (4),~~

6 ~~(b) The commission shall establish rates for CARE program~~
7 ~~participants pursuant to this section and Sections 739 and 739.9,~~
8 ~~subject to both of the following:~~

9 ~~(A) The requirements of subdivision (b) of Section 382 that~~

10 ~~(1) That the commission ensure that low-income ratepayers are~~
11 ~~not jeopardized or overburdened by monthly energy expenditures,~~
12 ~~pursuant to subdivision (b) of Section 382.~~

13 ~~(B) The requirement that~~

14 ~~(2) That the level of the discount for low-income electricity and~~
15 ~~gas ratepayers correctly reflects the level of need as determined~~
16 ~~by the needs assessment conducted pursuant to subdivision (d) of~~
17 ~~Section 382.~~

18 ~~(4) Tier 1, tier 2, and tier 3 CARE rates shall not exceed 80~~
19 ~~percent of the corresponding tier 1, tier 2, and tier 3 rates charged~~
20 ~~to residential customers not participating in the CARE program,~~
21 ~~excluding any Department of Water Resources bond charge~~
22 ~~imposed pursuant to Division 27 (commencing with Section 80000)~~
23 ~~of the Water Code, the CARE surcharge portion of the public~~
24 ~~goods charge, any charge imposed pursuant to the California Solar~~
25 ~~Initiative, and any charge imposed to fund any other program that~~
26 ~~exempts CARE participants from paying the charge.~~

27 ~~(5) Rates charged to CARE program participants shall not have~~
28 ~~more than three tiers. An electrical corporation that does not have~~
29 ~~a tier 3 CARE rate may introduce a tier 3 CARE rate that, in order~~
30 ~~to moderate the impact on program participants whose usage~~
31 ~~exceeds 130 percent of baseline quantities, shall be phased in to~~
32 ~~80 percent of the corresponding rates charged to residential~~
33 ~~customers not participating in the CARE program, excluding any~~
34 ~~Department of Water Resources bond charge imposed pursuant to~~
35 ~~Division 27 (commencing with Section 80000) of the Water Code,~~
36 ~~the CARE surcharge portion of the public goods charge, any charge~~
37 ~~imposed pursuant to the California Solar Initiative, and any other~~
38 ~~charge imposed to fund a program that exempts CARE participants~~
39 ~~from paying the charge. For an electrical corporation that does not~~
40 ~~have a tier 3 CARE rate that introduces a tier 3 CARE rate, the~~

1 initial rate shall be no more than 150 percent of the CARE baseline
2 rate. Any additional revenues collected by an electrical corporation
3 resulting from the adoption of a tier 3 CARE rate shall, until the
4 utility's next periodic general rate case review of cost allocation
5 and rate design, be credited to reduce rates of residential ratepayers
6 not participating in the CARE program with usage above 130
7 percent of baseline quantities.

8 (c) In establishing CARE discounts for an electrical corporation
9 with 100,000 or more customer accounts in California, the
10 commission shall ensure all of the following:

11 (1) The average effective CARE discount shall not be less than
12 30 percent or more than 35 percent of the revenues that would
13 have been produced for the same billed usage by non-CARE
14 customers. The average effective discount determined by the
15 commission shall reflect any charges not paid by CARE customers,
16 including payments for the California Solar Initiative, payments
17 for the self-generation incentive program made pursuant to Section
18 379.6, payment of the separate rate component to fund the CARE
19 program made pursuant to subdivision (a) of Section 381, payments
20 made to the Department of Water Resources pursuant to Division
21 27 (commencing with Section 80000) of the Water Code, and any
22 discount in a fixed charge. The average effective CARE discount
23 shall be calculated as an average of the CARE discounts offered
24 to individual customers.

25 (2) The electrical corporation shall not annually reduce its
26 average effective CARE discount by more than a reasonable
27 percentage decrease below its average effective CARE percentage
28 discount in effect on December 31, 2013. The commission shall
29 determine what is a reasonable percentage decrease.

30 (3) The entire discount shall be provided in the form of a
31 reduction in the overall bill for the eligible CARE customer.

32 (e)

33 (d) The commission shall work with electrical and gas
34 corporations to establish penetration goals. The commission shall
35 authorize recovery of all administrative costs associated with the
36 implementation of the CARE program that the commission
37 determines to be reasonable, through a balancing account
38 mechanism. Administrative costs shall include, but are not limited
39 to, outreach, marketing, regulatory compliance, certification and
40 verification, billing, measurement and evaluation, and capital

1 improvements and upgrades to communications and processing
2 equipment.

3 ~~(d)~~

4 (e) The commission shall examine methods to improve CARE
5 enrollment and participation. This examination shall include, but
6 need not be limited to, comparing information from CARE and
7 the Universal Lifeline Telephone Service (ULTS) to determine
8 the most effective means of utilizing that information to increase
9 CARE enrollment, automatic enrollment of ULTS customers who
10 are eligible for the CARE program, customer privacy issues, and
11 alternative mechanisms for outreach to potential enrollees. The
12 commission shall ensure that a customer consents prior to
13 enrollment. The commission shall consult with interested parties,
14 including ULTS providers, to develop the best methods of
15 informing ULTS customers about other available low-income
16 programs, as well as the best mechanism for telephone providers
17 to recover reasonable costs incurred pursuant to this section.

18 ~~(e)~~

19 (f) (1) The commission shall improve the CARE application
20 process by cooperating with other entities and representatives of
21 California government, including the California Health and Human
22 Services Agency and the Secretary of California Health and Human
23 Services, to ensure that all gas and electric customers eligible for
24 public assistance programs in California that reside within the
25 service territory of an electrical corporation or gas corporation,
26 are enrolled in the CARE program. To the extent practicable, the
27 commission shall develop a CARE application process using the
28 existing ULTS application process as a model. The commission
29 shall work with ~~public-utility~~ electrical and gas corporations and
30 the Low-Income Oversight Board established in Section 382.1 to
31 meet the low-income objectives in this section.

32 (2) The commission shall ensure that an electrical corporation
33 or gas corporation with a commission-approved program to provide
34 discounts based upon economic need in addition to the CARE
35 program, including a Family Electric Rate Assistance program,
36 utilize a single application form, to enable an applicant to
37 alternatively apply for any assistance program for which the
38 applicant may be eligible. It is the intent of the Legislature to allow
39 applicants under one program, that may not be eligible under that
40 program, but that may be eligible under an alternative assistance

1 program based upon economic need, to complete a single
2 application for any commission-approved assistance program
3 offered by the public utility.

4 *(g) It is the intent of the Legislature that the commission ensure*
5 *CARE program participants receive affordable electric and gas*
6 *service that does not impose an unfair economic burden on those*
7 *participants.*

8 ~~(f)~~

9 *(h) The commission's program of assistance to low-income*
10 *electric and gas customers shall, as soon as practicable, include*
11 *nonprofit group living facilities specified by the commission, if*
12 *the commission finds that the residents in these facilities*
13 *substantially meet the commission's low-income eligibility*
14 *requirements and there is a feasible process for certifying that the*
15 *assistance shall be used for the direct benefit, such as improved*
16 *quality of care or improved food service, of the low-income*
17 *residents in the facilities. The commission shall authorize utilities*
18 *to offer discounts to eligible facilities licensed or permitted by*
19 *appropriate state or local agencies, and to facilities, including*
20 *women's shelters, hospices, and homeless shelters, that may not*
21 *have a license or permit but provide other proof satisfactory to the*
22 *utility that they are eligible to participate in the program.*

23 ~~*(g) It is the intent of the Legislature that the commission ensure*~~
24 ~~*CARE program participants are afforded the lowest possible*~~
25 ~~*electric and gas rates and, to the extent possible, are exempt from*~~
26 ~~*additional surcharges attributable to the energy crisis of 2000-01.*~~

27 ~~(h)~~

28 *(i) (1) In addition to existing assessments of eligibility, an*
29 *electrical corporation may require proof of income eligibility for*
30 *those CARE program participants whose electricity usage, in any*
31 *monthly or other billing period, exceeds 400 percent of baseline*
32 *usage. The authority of an electrical corporation to require proof*
33 *of income eligibility is not limited by the means by which the*
34 *CARE program participant enrolled in the program, including if*
35 *the participant was automatically enrolled in the CARE program*
36 *because of participation in a governmental assistance program. If*
37 *a CARE program participant's electricity usage exceeds 400*
38 *percent of baseline usage, the electrical corporation may require*
39 *the CARE program participant to participate in the Energy Savings*
40 *Assistance Program (ESAP), which includes a residential energy*

1 assessment, in order to provide the CARE program participant
2 with information and assistance in reducing his or her energy usage.
3 Continued participation in the CARE program may be conditioned
4 upon the CARE program participant agreeing to participate in
5 ESAP within 45 days of notice being given by the electrical
6 corporation pursuant to this paragraph. The electrical corporation
7 may require the CARE program participant to notify the utility of
8 whether the residence is rented, and if so, a means by which to
9 contact the landlord, and the electrical corporation may share any
10 evaluation and recommendation relative to the residential structure
11 that is made as part of an energy assessment, with the landlord of
12 the CARE program participant. Requirements imposed pursuant
13 to this paragraph shall be consistent with procedures adopted by
14 the commission.

15 (2) If a CARE program participant's electricity usage exceeds
16 600 percent of baseline usage, the electrical corporation shall
17 require the CARE program participant to participate in ESAP,
18 which includes a residential energy assessment, in order to provide
19 the CARE program participant with information and assistance in
20 reducing his or her energy usage. Continued participation in the
21 CARE program shall be conditioned upon the CARE program
22 participant agreeing to participate in ESAP within 45 days of a
23 notice made by the electrical corporation pursuant to this paragraph.
24 The electrical corporation may require the CARE program
25 participant to notify the utility of whether the residence is rented,
26 and if so, a means by which to contact the landlord, and the
27 electrical corporation may share any evaluation and
28 recommendation relative to the residential structure that is made
29 as part of an energy assessment, with the landlord of the CARE
30 program participant. Following the completion of the energy
31 assessment, if the CARE program participant's electricity usage
32 continues to exceed 600 percent of baseline usage, the electrical
33 corporation may remove the CARE program participant from the
34 program if the removal is consistent with procedures adopted by
35 the commission. Nothing in this paragraph shall prevent a CARE
36 program participant with electricity usage exceeding 600 percent
37 of baseline usage from participating in an appeals process with the
38 electrical corporation to determine whether the participant's usage
39 levels are legitimate.

(3) A CARE program participant in a rental residence shall not be removed from the program in situations where the landlord is nonresponsive when contacted by the electrical corporation or does not provide for ESAP participation.

SEC. 2. Section 739.9 of the Public Utilities Code is repealed.

SEC. 3. Section 739.9 is added to the Public Utilities Code, to read:

~~739.9. (a) In approving changes to the rates and charges to residential customers for electricity usage pursuant to this part, the commission shall determine that the changes are reasonable, including determining that the changes are necessary in order to ensure that the rates and charges paid by residential customers are fair, equitable, and reflect the costs to serve those customers.~~

~~(b) In approving any changes to the rates and charges to residential customers for electricity usage pursuant to this part, the commission shall ensure that the rates are consistent with the following principles:~~

~~(1) Low-income and medical baseline customers should have access to enough electricity to ensure that basic needs, such as health and comfort, are met at an affordable cost.~~

~~(2) Rates should be based on marginal costs.~~

~~(3) Rates should be based on cost-causation principles.~~

~~(4) Rates should encourage conservation and energy efficiency.~~

~~(5) Rates should encourage the reduction of both coincident and noncoincident peak demand.~~

~~(6) Rates should be stable and understandable and provide customer choice.~~

~~(7) Rates should generally avoid cross-subsidies, unless a cross-subsidy appropriately supports explicit state policy goals.~~

~~(8) Incentives should be explicit and transparent.~~

~~(9) Rates should encourage economically efficient decisionmaking.~~

~~(10) Transitions to new rate structures should be accompanied by customer education and outreach that enhances customer understanding and acceptance of the new rates, and should minimize and appropriately consider the bill impacts on customers associated with the transition.~~

~~(c) By no later than January 31, 2014, the commission shall report to the Legislature its findings and recommendations relating~~

1 ~~to tiered residential electric service rates pursuant to its Order~~
2 ~~Instituting Rulemaking in Rulemaking 12-06-013.~~

3 739.9. (a) *Increases to rates and charges in rate design*
4 *proceedings, including any reduction in the California Alternate*
5 *Rates for Energy (CARE) discount, shall be reasonable and subject*
6 *to a reasonable phase-in schedule relative to the rates and charges*
7 *in effect prior to January 1, 2014.*

8 (b) *The commission may adopt new, or expand existing, fixed*
9 *charges for the purpose of collecting a reasonable portion of the*
10 *fixed costs of providing service to residential customers. The*
11 *commission shall ensure that any approved charges do all of the*
12 *following:*

13 (1) *Reasonably reflect an appropriate portion of the different*
14 *costs of serving small and large customers.*

15 (2) *Not unreasonably impair incentives for conservation and*
16 *energy efficiency.*

17 (3) *Not overburden low-income and moderate-income*
18 *customers.*

19 (c) *The commission may authorize fixed charges that do not*
20 *exceed ten dollars (\$10) per residential customer account per*
21 *month. The maximum allowable fixed charge may be adjusted by*
22 *no more than the annual percentage change in authorized*
23 *residential class revenue requirements. This section does not*
24 *require the commission to approve any new or expanded fixed*
25 *customer charge.*

26 SEC. 4. *Section 745 of the Public Utilities Code is repealed.*

27 745. (a) ~~For purposes of this section, the following terms have~~
28 ~~the following meanings:~~

29 (1) ~~“Bill protection” means that customers on mandatory or~~
30 ~~default time-variant pricing will be guaranteed that the total amount~~
31 ~~paid for electric service shall not exceed the amount that would~~
32 ~~have been due under the customer’s previous rate schedule.~~

33 (2) ~~“Time-variant pricing” includes time-of-use rates, critical~~
34 ~~peak pricing, and real-time pricing, but does not include programs~~
35 ~~that provide customers with discounts from standard tariff rates~~
36 ~~as an incentive to reduce consumption at certain times, including~~
37 ~~peak time rebates.~~

38 (b) ~~The commission shall not require or permit an electrical~~
39 ~~corporation to do any of the following:~~

1 ~~(1) Employ mandatory or default time-variant pricing, with or~~
2 ~~without bill protection, for any residential customer prior to January~~
3 ~~1, 2013.~~

4 ~~(2) Employ mandatory or default time-variant pricing, without~~
5 ~~bill protection, for residential customers prior to January 1, 2014.~~

6 ~~(3) Employ mandatory or default real-time pricing, without bill~~
7 ~~protection, for residential customers prior to January 1, 2020.~~

8 ~~(e) The commission may, at any time, authorize an electrical~~
9 ~~corporation to offer residential customers the option of receiving~~
10 ~~service pursuant to time-variant pricing and to participate in other~~
11 ~~demand response programs.~~

12 ~~(d) On and after January 1, 2014, the commission shall only~~
13 ~~approve an electrical corporation's use of default time-variant~~
14 ~~pricing in a manner consistent with the other provisions of this~~
15 ~~part, if all of the following conditions have been met:~~

16 ~~(1) Residential customers have the option to not receive service~~
17 ~~pursuant to time-variant pricing and incur no additional charges~~
18 ~~as a result of the exercise of that option. Prohibited charges include,~~
19 ~~but are not limited to, administrative fees for switching away from~~
20 ~~time-variant pricing, hedging premiums that exceed any actual~~
21 ~~costs of hedging, and more than a proportional share of any~~
22 ~~discounts or other incentives paid to customers to increase~~
23 ~~participation in time-variant pricing. This prohibition on additional~~
24 ~~charges is not intended to ensure that a customer will necessarily~~
25 ~~experience a lower total bill as a result of the exercise of the option~~
26 ~~to not receive service pursuant to a time-variant rate schedule.~~

27 ~~(2) Residential customers receiving a medical baseline allowance~~
28 ~~pursuant to subdivision (e) of Section 739 and customers requesting~~
29 ~~third-party notification pursuant to subdivision (e) of Section 779.1;~~
30 ~~shall not be subject to mandatory or default time-variant pricing.~~

31 ~~(3) A residential customer shall not be subject to a default~~
32 ~~time-variant rate schedule without bill protection unless that~~
33 ~~residential customer has been provided with not less than one year~~
34 ~~of interval usage data from an advanced meter and associated~~
35 ~~customer education and, following the passage of this period, is~~
36 ~~provided with not less than one year of bill protection during which~~
37 ~~the total amount paid by the residential customer for electric service~~
38 ~~shall not exceed the amount that would have been payable by the~~
39 ~~residential customer under that customer's previous rate schedule.~~

1 *SEC. 5. Section 745 is added to the Public Utilities Code, to*
2 *read:*

3 745. (a) *For purposes of this section, “time-variant pricing”*
4 *includes time-of-use rates, critical peak pricing, and real-time*
5 *pricing, but does not include programs that provide customers*
6 *with discounts from standard tariff rates as an incentive to reduce*
7 *consumption at certain times, including peak time rebates.*

8 (b) *The commission may authorize an electrical corporation to*
9 *offer residential customers the option of receiving service pursuant*
10 *to time-variant pricing and to participate in other demand response*
11 *programs. The commission shall not establish a mandatory or*
12 *default time-variant pricing tariff for any residential customer*
13 *except as authorized in subdivision (c).*

14 (c) *Beginning January 1, 2020, the commission may require or*
15 *authorize an electrical corporation to employ mandatory or default*
16 *time-of-use pricing for residential customers subject to all of the*
17 *following:*

18 (1) *Residential customers receiving a medical baseline*
19 *allowance pursuant to subdivision (c) of Section 739, customers*
20 *requesting third-party notification pursuant to subdivision (c) of*
21 *Section 779.1, and customers who the commission has ordered*
22 *cannot be disconnected from service without an in-person visit*
23 *from a utility representative (Decision 12-03-054 (March 22,*
24 *2012), Decision on Phase II Issues: Adoption of Practices to*
25 *Reduce the Number of Gas and Electric Service Disconnections,*
26 *Order 2 (b) at page 55), shall not be subject to mandatory or*
27 *default time-of-use pricing.*

28 (2) *The commission shall ensure that any time-of-use rate*
29 *schedule does not cause unreasonable hardship for senior citizens*
30 *or economically vulnerable customers in hot climate zones.*

31 (3) *The commission shall authorize time-of-use rate schedules*
32 *that utilize time periods that are appropriate for at least the*
33 *following five years.*

34 (4) *A residential customer shall not be subject to a mandatory*
35 *or default time-of-use rate schedule unless that residential customer*
36 *has been provided with not less than one year of interval usage*
37 *data from an advanced meter and associated customer education.*